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March 17, 1997

To: Division Managers  
Retail Managers  
Sales Representatives

RE: PM Exclusive Rebuttal Presentation

Ladies and Gentlemen,

You recently received a letter from Dave Wilmesher outlining a strategy for educating the retail community about the advantages of co-existence vs. PM exclusive.

I have attached a copy of the presentation which should be used at retail to drive home the key points of the advantages of co-existence.

As Dave's letter explained, we should begin contacting our customers on a top down priority basis to make the presentation. DM's and Sales Representatives with Direct Account responsibility should explain the presentation and encourage Direct Account personnel to present it to chains/stores they supply.

While we would have liked to have taken all DM's and SR's through the presentation to clarify some points, time will not allow us to do so. KAM's/AM's will be presented this material on March 21, 1997 for their use at retail. The following information will help you clarify and further strengthen your presentations. If you are unclear on any of the material, please call me at the Region office.

Clarification and Key Talking Points

- Page #5: "2nd & 3rd Quarter 1996 Study Results"

While 1,013 C/Gas stores that switched back to the industry approach were tracked for this study, 7,000 accounts nationally actually switched back from PM exclusive to industry approach. This should help you drive home the point that many accounts determined that PM exclusivity did not work for them.

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- Page #7: "Industry Approach - Now Who Benefits?"

In many cases, PM did not sign a contract in the stores that switched back to the industry approach. Despite not having a PM merchandising plan, the accounts were able to gain back volume. This point should help alleviate a customer's concern that PM may stop contract participation should they switch back to a co-existence set up. Bottom line, they can gain back lost volume and customer traffic without PM's programs.

- Page #12: "How Valuable ARE Your Customers?"

\$ Spent/Visit number is in addition to the smoker's cigarette purchases. Non-smoker's spend \$3.02 per visit. This should help you drive home the point that it is important to maintain "smoking" customer traffic in their stores as their purchases drive all commodity volume. "Smoking" customers are especially important to the retailer due to the higher dollar value of their purchases vs. non-smokers.

Sincerely,

*Fray*

Fray Natale, RBM

cc: Bill Roth  
Stephen MacLeod

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